

Press-Gazette photo by Ken Behrend

**Newman headquarters:** This is the headquarters for the Newman Companies at Broadview Drive and South Webster Avenue in Allouez. The company is involved in a multimillion dollar Chapter 11 federal bankruptcy proceeding. The investment firm was founded by Percy Newman in 1942 in Sturgeon Bay.

# Newman affair shattered dreams

## Hundreds face loss of money saved for education, homes, daily living

Editor's note: Press-Gazette reporters Keith Goldschmidt, Peg Schmeling, Sean Schultz, Don Langenkamp and Alice Paulsen talked to dozens of people about their investments with the Newman Companies. Here are the stories those investors told:

They invested more than money with the Newman Companies Inc. They invested their dreams and, in some cases, their lives.

A son's college education. A young family's down payment for a farm. Retirement income. A church building fund. A down payment on a home. Christmas gifts and tax money and new cupboards for a family trying to recover from a lost job.

Now it may be gone. On Oct. 19, the day the filing for bankruptcy protection story on the Newman Companies filled the airwaves and newspapers, dreams shattered.

And shattered dreams make no sound, even when the shattered dreams are worth \$8.8 million.

There's nothing in this community to signal the potential tragedy which has struck more than 700 Green Bay area families holding unsecured notes from the Newman Companies.

Except in their voices. Frightened voices which look for hope in a financial situation many hardly understand.

Except in their tears which sometimes can't be checked.

Except in their lives.

"I'm sick. I'm crying. I can't eat," says Alnet Miller. "I feel terrible about it. I trusted that company."

She had \$50,000 invested with Newman. That's more than half of her savings. And now it may well be gone.

"You feel like your life has been

### Newman bankruptcy case financial terms are defined

Following are definitions for some of the financial terms arising in the Newman Companies bankruptcy case:

**Secured creditor:** A debt is secured when the debtor places property or equipment against the loan equal or in excess of the amount owed.

**Unsecured creditor:** A debt is unsecured when a debtor has no collateral equipment or land, to match the value of the loan. The balance on the loan is lost in the case of a default.

**Chapter 11 bankruptcy:** A federal law which permits the person or business filing

Chapter 11 bankruptcy to continue in business and stops his creditors from taking action against the business.

**Promissory note:** Just like an I.O.U., a promise to pay.

**Limited partnership:** Buying a share in a transaction which limits the liability, but not the profit.

**General partnership:** The group selling the limited partnerships. They receive a fee for managing the money supplied by the limited partners. They are not limited to liability.

**Trustee:** A person appointed by the

bankruptcy court to manage the assets of the bankrupt firm which generally is in a Chapter 7 bankruptcy. A trustee may be appointed in a Chapter 11 filing.

**Receiver:** A term used in state court proceedings; a person appointed by the court to serve in the same capacity as the trustee.

**Securities Commission:** The state body, formed by an act of the Legislature, which is the regulatory agency governing businesses engaged in the sale of securities, such as brokerage houses or investment firms.

ripped out from under you," says one woman with \$10,000 invested. "That money was my life savings, and I needed it for my income."

Brokers, financial consultants, officials and the courts will deal with the dollars and cents. These people must deal with their emotions.

"It's a nightmare I'm not quite crawling out of yet," said Bruce Coleman, 2628 Bell Court. "But I can crawl out of this. But there's people out there who literally have lost their life savings."

People. Out there. Right here. Neighbors. Friends. Relatives.

People who invested their money in a future which doesn't seem too promising anymore.

Talk to them at length, if they're willing to talk at all, and you hear their sad stories. You hear of dreams which evaporated 10 days ago. You hear little hope.

She is 47, a divorcee whose settlement just came in. She invested \$30,000 for three months.

"I had to get my life settled first because of the divorce and the alimony and the kids leaving and

everything. I just put it in there until I could figure out if I was going to live here or what," she said. "Right now, I'm just kind of walking around taking it one day at a time and trying to figure out what I'm going to do."

"I was unemployed. I needed it to make all my living expenses. It was all I had for myself," she said.

She went to Social Services for help. They don't know if they can.

She went to the city of Green Bay to apply for a job working in the parking ramps. But she recently moved to Ashwaubenon, so she doesn't qualify.

A divorce. A bankruptcy. A future in limbo.

They invested \$16,000 for themselves and \$10,000 for their daughter who is a junior at Milwaukee Area Technical College.

"This was our 20-year savings and our daughter's 20-year savings," she said. "My daughter's education is questionable right now. If she doesn't get the money back, she may have to quit school."

Donald Pierce, De Pere

High School principal, has \$24,562 invested for his son, Kent. He's 12 and the money was for his college education.

The money came from grandparents' gifts and money Pierce was able to set aside for the youngest of his eight children. For four years, he's invested with Newman. Everything seemed fine.

Now it's not so fine anymore. It won't affect their daily living, but they'll have to restructure Kent's education fund.

He hasn't told Kent.

"He's 12 years-old. What does he know about bankruptcy?" Pierce asked.

The Lincoln Gospel Chapel is a small church in the Casco area. The congregation has only about 35 families and an inadequate building.

But the congregation had scraped together \$10,000 for a building fund. They invested it with Newman.

"We had hoped to start next spring, but that's going to set it back," said Richard Davies, the church treasurer.

The congregation still has hope, however. Davies doesn't believe it will lose the money.

"We don't consider that possibility," he said. "We trust in the Lord."

Mrs. Emma Jensen, a widow in her early 70s, had \$2,000 invested with Newman. She once had more, but her late husband took out most of their money in the early '70s.

"We always got our interest, but I wondered about (Jerald) Newman," she said. "I was always suspicious because he advertised so much."

"I was shocked when I got the letter. He told me in the letter to bear with him. What else can I do?"

"He did that to so many of his church friends. What he has done to all of his Christian friends is really disgraceful."

Bonnie and Randy Garsow, 315 N. Fisk St., had hoped to buy a house. He works at a grocery store. She works at a metal finishing plant. They invested \$8,621.

"That was everything we had going for a down payment on a

house eventually," he said. "That was more or less the only savings we had, other than a small savings in the credit union."

The Rev. Carl Bornmann, Luxemburg, stands to lose his \$20,000 investment.

He went to a free dinner to hear about the Newman Companies several years ago.

"It was stressed to me at the time that the Newman Companies had been in existence for a long time and stressed the reliability of the company, etcetera, etcetera, etcetera," he said.

Like most of the investors with unsecured notes, Bornmann hopes he'll get some of his money back.

"I am hopeful that if there are assets there, that they will not be eaten up by several years of long, drawn-out court procedures in which the lawyers get everything and the investors get nothing," he said.

She is 84. Her husband died last year. She recently sold the old farmhouse and moved to Green Bay to live near her daughter.

All the money from the farmhouse was invested with Newman. Half of the \$25,000 was invested in secured notes. The other half in unsecured notes.

"She needed a high interest rate so she could live off the interest," her daughter said. "She needed that money for monthly bills."

Now, she has nothing.

One Green Bay family had survived the husband losing his job several years ago. During his six-month unemployment, they whittled away at their life savings. All but a \$6,000 CD was used to support the family with five children.

Please see Dreams/B-2



# Dreams

He eventually found another job at a much lower salary. She took a part-time job. They were building up their savings. When Newman said they needed \$10,000 to invest, they took the CD and \$4,000 out of their passbook savings.

"That was our life savings," she said.

Part of it was going to be used

for taxes next year. Another part to remodel the kitchen. Some of it was going for Christmas gifts.

When she talks about it, she cries. Tears flow as she explains how she's taken another part-time job.

"We're determined to have Christmas," she said.

There are more stories. At least 700 more stories. Not all of them are tragedies. Some people have other investments. Some people make enough money that they will be able to recover.

But many people don't know if recovery will be part of their life.

One couple might lose their \$20,000 investment for their son's education. He's in his second year of college. "This semester is paid, but when it comes to the next one, I don't know," the woman said.

She talked to Newman, asked him what the future holds.

"Do two things for me," he told her. "Have patience and pray for me."

"Right now I'm praying," she said, "but for myself."

# Newman: Loan, rezoning can save firm

**By Tom Murphy**

Of the Press-Gazette

A possible \$7.5 million to \$9 million loan against TV-26 and rezoning Allouez property are the keys to salvaging Jerald D. Newman's bankrupt investment business, Newman said Monday.

Newman would not identify the prospective lender except that "he is a Chicago mortgage banker in business for himself and one of his major functions is to raise money for companies."

Newman told the Press-Gazette he spoke to the banker Monday afternoon and "he will let me know later this week if the loan goes through."

If approved, Newman said \$6.7 million that TV-26 owes the bankrupt Newman Companies Inc. would be repaid and parceled out to creditors. The company apparently met the station's operating expenses.

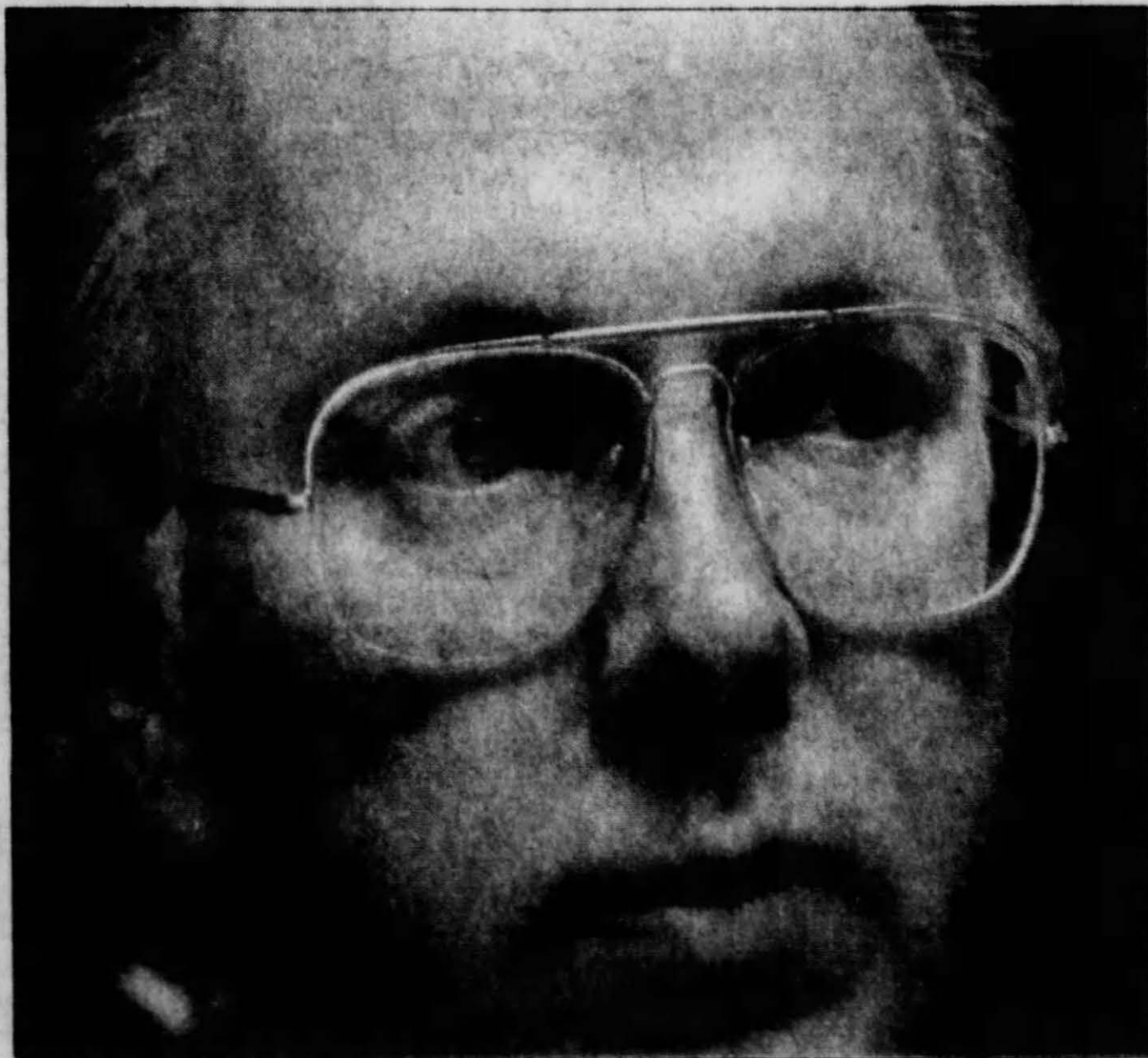
Court records to date show Newman owes about \$13 million to secured and unsecured creditors.

Newman refused Monday to reveal the Newman Companies annual income, but he said "it is not unusual for me to gross \$250,000 to \$300,000 in the last four months of the year."

Limited partnership tax shelter sales are at their peak in the last quarter because investors are concerned about reducing taxes, he said.

He said he has grossed as much as \$2.7 million putting together a limited partnership real estate development.

If permitted to operate his business, New-



**Outlines plans:** Jerald D. Newman discusses his plans for rescuing his bankrupt investment firm, Newman

Press-Gazette photo by John E. Roemer  
Companies, Inc. Court records show Newman owes creditors about \$13 million.

Please see **Newman/A-8**



# From A-1

## □ Newman

man claimed he again can realize those numbers and repay investors.

In Allouez, Newman said a local Realtor has had an offer of \$100,000 for two parcels in a 6.5-acre plot rezoned earlier this year from residential to office park. The site is east of his office complex on South Webster Avenue.

The rezoned portion is worth approximately \$700,000, Newman said.

The matter is complicated because the land is owned by Heritage Farm Land Development, one of many real estate partnerships in which Newman Companies Inc. is a general partner.

Newman said the bankruptcy court will determine how the Newman Companies' role as a general partner involves other partnerships and their limited partner members.

If the entire Heritage Farm 36 acres is rezoned from single-family residence to multi-family or office park, "it would increase its value by \$1 to \$2 million," Newman said.

The site is assessed at \$1.18 million including the three office buildings. About \$196,000 is overdue in taxes and for special improvements on the property.

The land is best suited for multiple family or office park zoning, Newman said. He said he is continuing efforts to get that classification.

Newman paid \$701,007 for the site in 1978, about \$200,000 more than the next bidder when the property was sold by the state Department of Health and Social Services.

It formerly was the site of a Green Bay Correctional Institution farm.

TV-26 was 85 percent owned or controlled by Newman until he was fired as Newman Companies president Nov. 8 by the court-appointed trustee, Benjamin W. Laird.

As trustee, Laird now controls 55 percent, or an estimated \$1.2 million, of the stock in the television outlet. If Newman operates his firm as debtor in possession, his current objective, he will vote the 55 percent plus the other 30 percent he controls.

## Receiver: Newman's assets fell to \$157,000

By Tom Murphy  
Of the Press-Gazette

Newman Companies Inc. of Green Bay had less than \$157,000 in liquid assets when it entered bankruptcy on Oct. 18, the court-appointed receiver of the firm testified in Brown County Circuit Court today.

Benjamin W. Laird said \$142,925 of the total was in a checking account at Associated Kellogg Bank when the account was closed and consolidated into a bankruptcy trustee's account on Oct. 31.

The bankruptcy filing preceded by minutes a state civil suit which charged the firm owed more than \$3.5 million to investors. The amount was payable in October, the state alleged.

Laird also submitted a bill of \$17,413 to the court for his services as receiver for Newman Companies Inc. of Green Bay. His fees as receiver for Newman Companies Inc. of Wisconsin was \$3,438.

Judge N. Patrick Crooks set Dec. 10 as the final day for attorneys for Jerald and James Newman and various creditors to object to the bills. They are subject to Crooks' approval but cannot be paid until a final ruling by Federal Bankruptcy Judge Dale Ihlenfeldt.

Laird said about \$14,000 in assets were in a money market fund listed as commissions received and a second small checking account. Sales of some office equipment brought in about \$2,100, he said.

Laird was appointed receiver by Crooks for both companies on Oct. 18 after the court prohibited the firms and their principals, Jerald and James Newman, respectively, from further sales of unregistered securities.

On Laird's own motion, Crooks today discharged the Green Bay attorney as receiver in the state's case. In the separate bankruptcy actions, Laird is trustee for Newman Companies Inc. Mark Hanson of Sturgeon Bay is trustee for the Newman Companies of Wisconsin.

Crooks' order avoids duplicative efforts, said Scott Wochos, Laird's attorney as receiver and trustee.

Laird also presented \$17,413 in receiver's bills from Oct. 8 through Nov. 8, when he officially was named bankruptcy trustee by the Newman Companies Inc. creditors' committee.

The total included \$6,712 for his own time, \$5,689 for attorneys' fees and \$5,012 for Wipfli and Ulrich & Co., the court-appointed accounting firm.

Attorney fees were accumulated by Wochos, Charles N. Egan Jr. and Jerome Smyth. Egan and Laird are senior partners in the firm of that name. Wochos and Smyth are associates in the firm.

A TV-26 board meeting is scheduled for Dec. 3 and Newman said he expects the sale of the station will be discussed.

The station is listed for sale at \$10.5 million, Newman said, down from the original price of \$12 million.

Newman said he, too, would sell the station but wants the proceeds to stay with his bankrupt firm. The alternative is petitioning the court to change to Chapter 7 bankruptcy which would liquidate all assets.

He said Laird favors the switch. "My goal is to repay 100 cents on the dollar to creditors with proceeds from continuing operations and from whatever proceeds come from lawsuits we will file," Newman said.

He would not elaborate on the lawsuits.

Newman's company filed bankruptcy Oct. 18, minutes before the Wisconsin securities commissioner obtained a court order prohibiting Newman and his companies from selling securities the state claims were unregistered.

Monday, Newman also restated criticisms of Laird detailed in a story in Saturday's Press-Gazette.

He added Laird's legal fees, which were presented at a creditors committee meeting this afternoon, "will approach \$45,000 for one month's work."

Laird is charged by the court to work with the committee and devise a business reorganization plan to repay creditors. The plan must be presented to Federal Bankruptcy Judge Dale Ihlenfeldt before the end of the year.

Newman said he has been talking with members of the seven-

person committee to convince them to replace Laird with himself. The committee has that power, but any change must be approved by the court.

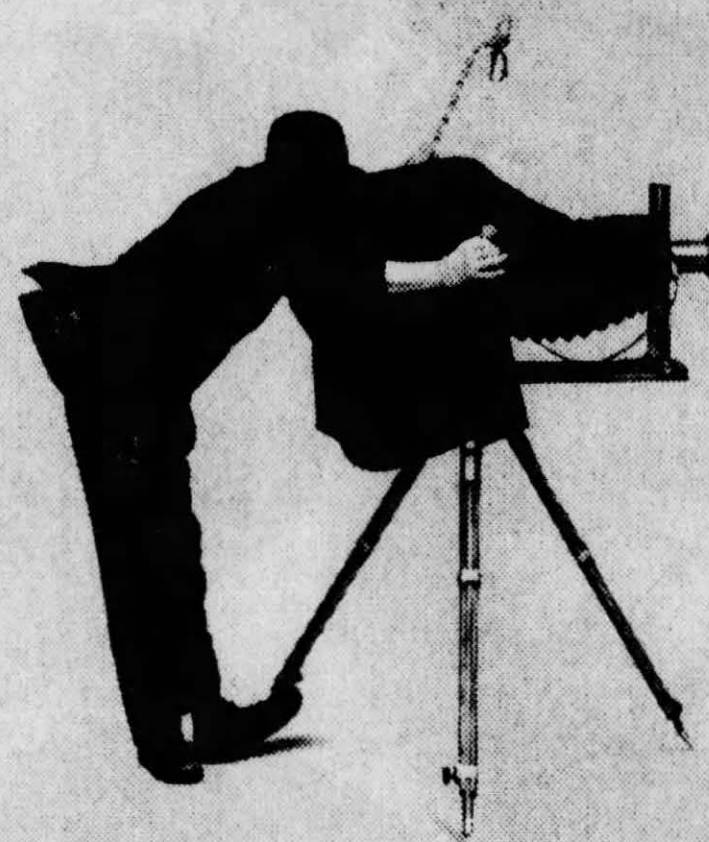
The committee last week voted 5-2 to retain Laird.

"We do not yet have the votes yet to get rid of him this week, but perhaps soon," Newman said.

Newman said that his firing and changing of the office door locks by Laird "sounds more like Nazi Germany than America from my point of view."

However, on the night he was fired by Laird, Newman said he "could be back in business tomorrow. I don't have to sit in that office."

Newman now says he needs unrestricted access to his records in his office. Laird said he will let Newman have controlled access.

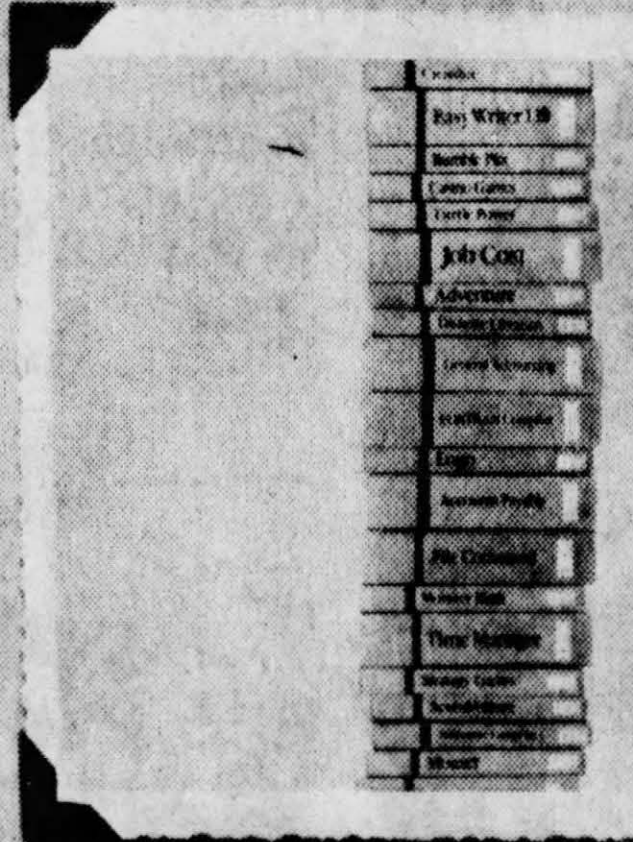


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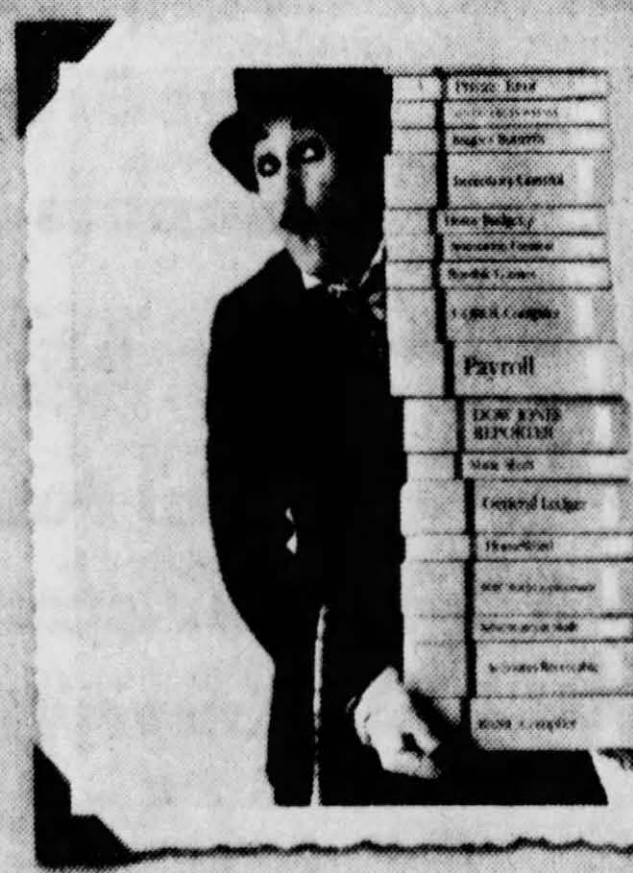
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